



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

March 18, 2015

MEMORANDUM

TO: The Honorable Dee Morikawa, Chair
House Committee on Human Services

The Honorable Della Au Bellati, Chair
House Committee on Health

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.C.R. No. 104: REQUESTING AN AUDIT OF THE
DEPARTMENT OF HUMAN SERVICES**

Hearing: Thursday, March 19, 2015; 8:45 a.m.
Conference Room 329; State Capitol

PURPOSE: This measure requests the State Auditor to conduct an audit of the Department of Human Services, including its Med-QUEST Division and KOLEA, the eligibility determination system of the Division.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the measure and provides the following comments.

The DHS successfully implemented provisions of the Patient Protection and Affordable Care Act of 2010 (ACA) and expanded access to affordable health insurance for Hawai i's residents. Following Congress' mandate, the rollout of ACA began with its passage in 2010 with the "final" provision currently scheduled to be completed in 2018. The federal Centers for Medicare & Medicaid Services (CMS) established key dates and deadlines that state systems needed to meet to implement the provisions of ACA.

As part of the overhaul of the health care system, in addition to expanding the state's Medicaid program, the DHS had the primary responsibility to design and build a new electronic eligibility system for Medicaid and to support and process other information to meet the significant requirements of ACA. The new system, called KOLEA, went live on October 1, 2013.

The KOLEA system replaced an over 25-year-old legacy computer system that was paper based and within its first year processed approximately 330,000 renewals and applications for eligible residents. The KOLEA application is the first phase of a larger DHS Enterprise Platform that is being developed to replace DHS' aged legacy information systems.

The DHS acknowledges that the rollout of KOLEA was not without its problems and frustrations as described in the current measure. However, with staff and community input, issues were addressed and a scheduled system maintenance in January 2015 resolved many of the problems described.

It is important to recognize that the integrity of the state's Medicaid system is sound. In a recent audit, the Auditor recognized that Hawaii's Medicaid program fares well when compared to peer states and that DHS has managed to control its costs on a per-enrollee basis, even in the face of growing Medicaid enrollment. Furthermore, in 2013, the Commonwealth Fund ranked Hawaii as the state with the best health care system for low-income individuals. Most recent communication with CMS expressed continued confidence in KOLEA and the system's determinations, timeliness, and accuracy.

Despite the significant accomplishments the state has achieved in meeting ACA implementation tasks and deadlines, there exists confusion regarding the fiscal investment of public funds in the design, build, operation, maintenance, and expansion of KOLEA.

As noted in the measure, as part of ACA, the federal government provided 90% (approximately \$102 million) of funds that built KOLEA and the state invested 10%

(approximately \$11 million). The federal and state governments continue to share in the cost of maintaining and operating the system with an annual cost of nearly \$20 million.

As stewards of the public trust, the DHS agrees that a third party audit at this juncture would assist the department and the state as it continues to invest large sums of public funds to replace aging technology, and maintain and operate its new systems. An audit with the scope to provide clarity regarding the initial investments in KOLEA, and to identify ways to improve our ability to design, operate and purchase efficient public systems in the most cost effective manner, would be beneficial.

The DHS continues to operate and maintain KOLEA and is responsible to implement federal program goals which are time sensitive. DHS requests the audit be expedited and not interrupt the planning and development that is on going. Further, DHS requests that if DHS is to pay for the cost of the audit, that a budget ceiling be established so DHS may budget for this expense.

Thank you for the opportunity to provide testimony on this bill.



HPCA

HAWAII PRIMARY CARE ASSOCIATION

House Committee on Human Services

The Hon. Dee Morikawa, Chair

The Hon. Bertrand Kobayashi, Vice Chair

Testimony in Support of HCR 104

Submitted by Nani Medeiros, Public Affairs and Policy Officer

March 19, 2015, 8:45 a.m., Room 329

The Hawai'i Primary Care Association supports HCR 104, requesting an audit of the Department of Human Services.

Under the Department, the Medicaid program represents the largest source of federal revenues for Hawaii state government, a number that recently totaled more than \$2 billion. In total, the program represents more than 300,000 patients across the state and accounts for 48% of patients served in community health centers.

For these reasons, the HPCA supports an audit of the Department. Thank you for the opportunity to testify.